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**FISCAL IMPACT STATEMENT**

**LS 6735**

**BILL NUMBER:** SB 224

**NOTE PREPARED:** Dec 29, 2007

**BILL AMENDED:**

**SUBJECT:** Various Utility Matters.

**FIRST AUTHOR:** Sen. Hershman

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill amends the definition of "clean coal technology" in various statutes. The bill defines the term as a technology used at an electric generating facility to reduce airborne emissions that are regulated, or reasonably anticipated to be regulated, by the federal government, the state, or a political subdivision of the state. (The current definition includes only technologies that reduce sulfur or nitrogen emissions.)

The bill allows an existing electric generating facility to petition the Utility Regulatory Commission (IURC) for approval of a regulated air emissions project. This bill requires the IURC to: (1) approve the project if the IURC finds, after notice and hearing, the project to be reasonable and necessary; and (2) provide certain financial incentives for the project. The bill also allows the IURC to provide certain additional incentives for an approved project. This bill provides financial incentives for an electric utility's: (1) investments in advanced metering infrastructure (AMI); and (2) implementation of conservation and load management programs. The bill requires the IURC to: (1) create specified financial incentives for investments in AMI and in conservation and load management programs; and (2) review applications by electric utilities for those incentives.

**Effective Date:** Upon passage; July 1, 2008.

**Explanation of State Expenditures:** *IURC:* This bill will cause an increase in administrative costs for the Indiana Utility Regulator Commission. The IURC will have to amend all rules and guidelines associated with certificates, incentives, and rate adjustment hearings for clean coal technology. The bill amends the definition of "clean coal technology" in various statutes relating to cost recovery, depreciation, and rate adjustments by utilities that implement that technology. The IURC will also have to implement and adopt new rules and

procedures for hearings and determinations related to the advanced metering (AMI) and conservation and load management incentive programs established in the bill.

*State and Local Government Utility Rates:* This bill could also increase expenditures by state and local governments for utilities. It is estimated that the amendment to the definition of clean coal technology, along with the financial incentive programs for AMI and conservation and load management will increase utility rates. This increase may be offset by any energy conservation realized from the use of AMI and conservation and load management technologies by the utilities. The overall impact on utility rates is indeterminable. It is estimated that the amendment to the definition of clean coal technology will increase the number of utilities that are eligible for the incentives provided for implementing that type of technology, and therefore allow more utilities to adjust rates and recover costs for such technology.

*Background on IURC Funding:* The operating budget of the IURC is funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the agency's budget, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.15% of their gross intra-state operating revenues to fund the IURC.

**Explanation of State Revenues:** *Utility Rate Increases:* To the extent that any of the provisions of this bill increase utility rates, there could be an increase Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax collections. The amount of any increase is indeterminable and will ultimately depend upon rate adjustments allowed by the IURC for cost recovery after implementation of AMI, conservation and load management, or new clean coal technology projects.

*Background:* The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.067%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

**Explanation of Local Expenditures:** See *State and Local Government Utility Rates* section above.

**Explanation of Local Revenues:**

**State Agencies Affected:** IURC, All.

**Local Agencies Affected:** All.

**Information Sources:**

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